5-2018

Rhetoric in financial reporting: evaluation of ISA 720

Qingyuan Guo
University of Tennessee at Chattanooga, ghn575@mocs.utc.edu

RHETORIC IN FINANCIAL REPORTING: EVALUATION OF ISA 720

Qingyuan Guo

Departmental Honors Thesis
The University of Tennessee at Chattanooga
Accounting Department

Examination Date: March 28, 2018

Dr. Anne Wilkins
Assistant Professor of Accounting
Thesis Director

Dr. Rebecca Jones
UC Foundation Associate Professor of English
Examiner

Dr. Joanie Sompayrac
Judith Finley Stone Alliance Professor of Accounting
Examiner

Introduction

There have long been discussions in the accounting and audit professions over regulations of other information appearing alongside the audited financial statements in companies' annual reports. Prior research shows that many investors rely on those other information sections, including Management Discussion and Analysis (MD&A) and Chief Executive Officer (CEO) letter to the shareholders, in making their investment decisions (Bartlett and Chandler 1997; Amernic and Craig 2006; Hooghiemstra 2010; Jonäll and Rimmel 2010; Craig and Brenna 2011; Bedard, Sutton, Arnold, and Philips 2012; etc.). More importantly, some investors falsely assume that the unaudited other information is audited and rely on the other information even more than audited financial statements in evaluating the company value (Bedard, Sutton, Arnold, and Philips 2012). The difference between investors' expectations and the actual audit scope incentivized the proposal of the Public Company Accounting Oversight Board (PCAOB) to establish a standard to extend auditors' responsibility over the other information as an attempt to reach investors' expectations. Similarly, the International Foundation of Accountants (IFCA) revised the auditing standard ISA 720, effective for the years ending on or after December 15, 2016, that "requires the auditor to read and consider the other information" (IFCA 2015, 6).

This study contributes to the discussion about the impact of the revised ISA 720 and provides some evidence for PCAOB on whether additional regulation of other information is worth compliance costs to the company. Additionally, the study provides insights relevant to rhetoric in the financial texts. Many scholars have stated that the use of rhetoric in qualitative disclosures is pervasive and essential in modern finance (McCloskey 1992; Ohlsson 2012; Covaleski, Dirsmith, and Samuel 1995; etc.). Annual report sections, including MD&A and CEO letters to shareholders, contain other information that is qualitative and thus allows more space for rhetoric. In fact, company management utilizes rhetorical strategies in those sections to offer explanations and opinions that audited financial data may not indicate. Those qualitative disclosures convey positive messages about the company value and help persuade investors in making their economic decisions. This study addresses the question of how the revised ISA 720 would impact this use of rhetoric in financial reporting, or more specifically, how the increased auditors' responsibilities over other information, internationally enacted by the revised ISA 720, would decrease management's positive massaging as a rhetorical strategy used in those texts.

This study investigates this issue using CEO letters, representing a component of other information appearing alongside audited financial statements, of 29 Australian companies which were subject to the regulation of ISA 720 effective for years ended after December 15, 2016. Specifically, I compare the letters published the year before the enactment of ISA 720, December 15, 2016, with the CEO letters for the year after the enactment for any changes of rhetoric used in the texts. Using the "bottom-up" dictionary approach to count frequency of positive words, I do not find a unified change of positive word frequency across 29 sets of sample letters nor any significant evidence confirming an impact of the revised ISA 720 on rhetorical strategies used in those texts. To provide a comprehensive analysis, I also conduct a case study on one set of CEO letters which did have decreased positive word frequency in the year after the enactment of ISA 720. However, using rhetorical analysis as well as "top-down" knowledge of this company's financial performance, I find that the reduction of positive words does not indicate less rhetorical strategies were used. Both letters are rhetorical, only with different strategies to meet different objectives of persuasion. It suggests that a proper understanding and evaluation of financial rhetoric requires both the "bottom-up" dictionary analysis and "top-down" knowledge of the language context (Camiciottoli 2013). Furthermore, this study provides a starting point for discussing the fundamental question of how rhetoric in financial reporting should and could be regulated. The evaluation on the impact of the revised ISA 720 and the discussion on how to analyze financial rhetoric should provide insights for the development of future regulations on rhetoric in financial reporting.

Background of Audit Regulations

Corporate annual reports refer to annual publications corporations provide the public to disclose company performance and financial position for the past fiscal year (Lee 2004). Traditional financial statements and explanatory disclosures included in annual reports are "the major medium by which companies communicate information to outsiders" (Firth 1979, 273). Most investors and creditors rely on the information disclosed in annual reports to evaluate the company value and make economic decisions. Due to this fundamental importance of annual reports, regulations are established over the process and outcome of financial reporting. In the regulating mechanism, independent audit plays an essential role that "contributes to the reliability of more timely and more useful financial information" (Kueppers and Sullivan 2010, 286).

The Public Company Accounting Oversight Board is a nonprofit corporation established by the U.S. Congress in 2002. Its mission is "to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports" (PCAOB 2002). To achieve this mission, PCAOB establishes Auditing Standards (AS) that define and regulate the responsibilities of independent auditors in the process of financial reporting. *AS 1001* (PCAOB 2002) defines the objective of independent audit as "to express an opinion on the fairness of financial statements."

Thus, by having independent auditors verify the accuracy of information, public companies can increase the credibility of their financial reports for users and reduce information risk, "the risk that information circulated by a company's management will be false or misleading" (Eilifsen, Messier, Glover, and Prawitt 2013, 6). On the other hand, when an independent audit is performed on the financial report, investors are more likely to assume that the information is reliable for facilitating economic decisions.

However, not all information in the financial report is audited. While investors feel more assured in using audited information, they might also rely on unaudited information because they mistakenly assume that it is also subject to independent audit. PCAOB specifies that the scope of independent audit is within financial statements, which present the company's "financial position, results of operations, and its cash flows" (PCAOB *AS1001* 2002), and does not include the other information appearing alongside audited financial statements. Even though the PCAOB does encourage auditors to read other information accompanying audited financial statements and to consider its consistency with the audited information, the PCAOB also clarifies that auditors have no obligation to perform any procedures to corroborate the other information. This limitation of the scope of independent audit is not accurately perceived by many users of financial reports. Bedard, Sutton, Arnold, and Philips (2012, A18) surveyed 152 professional and nonprofessional investors to investigate whether they can differentiate "the level of assurance in the audited financial statements and related footnotes from other information presented alongside audited information in the 10-K and on corporate websites." The survey results show a considerable portion of investors, including professionals, assume unaudited information appearing alongside the audited financial statements is also audited; furthermore, their assumptions affect their use of the other information. In particular, nonprofessional investors “are more likely to use MD&A information if they think that it is audited” (A28). This research indicates that there is a gap between the investors’ expectation and the actual scope of independent audit, which might mislead investors in using financial information for their decisions. This expectation gap has long been a concern of the audit profession.

Furthermore, there are also concerns over management manipulation of the other information. As Gowthorpe and Amat (2005, 55) point out in their research on creative accounting, preparers of the other information are “in a position to manipulate the view of economic reality presented in those statements to interested parties.” The qualitative and subjective nature of other information allows room for such manipulation, as it not only offers objective data but also expresses preparers’ opinions that financial data might not convey. It’s possible that other information might mispresent the audited financial information and influence investors’ decisions in a way that reflects management’s interest, but not necessarily the investors’.

For instance, one section containing “other information” in annual reports is the CEO letter. The company’s CEO utilizes this letter to review and analyze the company’s activities and performance in the past year (Jonäll and Rimmel 2010). The purpose of the CEO letter is to “create corporate reputation, corporate image and corporate credibility” (Craig and Brennan 2011, 167). Bartlett and Chandler (1997) find that the CEO letter is the most carefully read section by private investors and the second most important element among all sections in annual reports. Even with such importance, the other information contained in the CEO letter does not fall into the required scope of independent audit and independent auditors’ role remains limited to verifying the consistency of this letter to the audited financial statements. Therefore, management has more freedom in this section to craft the language in a way that could influence investors' opinions on the company performance. As Hooghiemstra (2010, 276) states in his research, the lack of audit regulation on the CEO letter "provides management with an excellent opportunity to manage the impressions outsiders have of the company without having to worry too much about regulatory repercussions."

Responding to this expectation gap of auditors' responsibility and the concerns over management manipulation, the audit profession has long been attempting to tighten the regulations over other information appearing alongside audited financial statements. In 2004, PCAOB held a meeting to discuss whether they should "undertake a project on the auditor's responsibility with regard to communications, by issuers to investors, which contain financial information" (PCAOB 2004). The questions that were directly posed included what kinds of information to be audited, what audit procedures to be performed, and what level of responsibility to be taken by auditors. In 2008, members of the Standing Advisory Group (SAG) and Investor Advisory Group (IAG) suggested PCAOB to undertake a standard-setting initiative and consider improvements to the auditor's standard reporting model. PCAOB added this topic to its agenda and issued "PCAOB Release No. 2011-003" to seek public comments. In its proposal, one of the potential changes was to increase auditor assurance on information appearing along with the financial statements, such as MD&A or the CEO letter. PCAOB suggested that this change "could improve the quality, completeness, and reliability of such information, providing investors and other users of financial statements with a higher level of confidence in information about the company that is provided by management;" as investors rely on other information outside of audited financial statements, "this additional reporting could make an audit and auditor reporting more relevant to investors and other users of financial statements" (PCAOB 2011).

In August 2013, PCAOB drafted the proposed standard, *The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report.* The proposed standard extended auditors' responsibilities for other information outside of the audited financial statements. PCAOB chairman James R. Doty (2013) explained that the proposal "seeks to capitalize on auditor's knowledge and ensure that the audit retains its value in the eyes of investors." Even though this proposed standard was placed on hold in 2013 and the Board has not yet taken any further action, it indicates efforts of the audit profession and regulating organization in clarifying or expanding the scope of independent audit and overcoming the "expectation gap."

While the United States is still in the process of considering tighter regulation over other information, International Foundation of Accountants has already announced a similar update on the standard, ISA 720, in April 2015. The revised ISA 720 aims to clarify and increase the auditor's involvement with other information – "financial or nonfinancial information other than the audited financial statements," including but not limited to company's "explanations of critical accounting estimates and related assumption," "general descriptions of the business environment and outlook," and "explanations of specific factors influencing the entity's profitability in specific segments" (IFAC 2015). The revision requires auditors to identify any material inconsistency of those descriptions and explanations with the audited financial statements or the auditors' own knowledge. This proposed standard is effective for audits of financial reporting of periods ending on or after December 15, 2016. As the revision to ISA 720 has many similarities to the proposed PCAOB auditing standard, analysis on ISA 720 and any changes to financial reporting after it went effective may shed light on the potential impacts of the proposed PCAOB auditing standard on other information if this proposal is enacted.

Hypothesis Development

Rhetoric in Financial Reporting

Rhetoric is defined as writing with a purpose. It is about using language to manipulate reality and to influence readers. We all live immersed in rhetorical narratives, as Wayne Booth (1988, 15) points out: "even the statisticians and accountants must in fact conduct their daily business largely in stories." Although financial information is normally perceived as fact-based and number-oriented (Camiciottoli 2013), the well-known economist Deirdre McCloskey illustrates in her study there is indeed a pervasive use of rhetoric in finance. In her essay "The Rhetoric of Finance" included in the *New Palgrave Dictionary of Money and Finance*, she traces the origin of "the jargon of the financial market" (1992, 350) to Aristotle's masterpiece *Rhetoric*. She demonstrates various rhetorical techniques used in financial discourses (e.g., metaphors, figures of speech, etc.) in connection to Aristotle's three modes of persuasion, *logos* (appeals to reason), *ethos* (appeals to good character), and *pathos* (appeals to emotions). She connects the rhetoric of finance to the idea of "wordcraft" because they "are words, including mathematics and statistics, crafted well or poorly to persuade" (1992, 250). As McCloskey claims in her book *The Rhetoric of Economics*, modern ideas of economics and finance firmly rest on the practice of rhetoric. Many other scholars, including Ohlsson who emphasizes the importance of financial literacy in the modern business world, agree with McCloskey. In a recent study, Ohlsson states that "the use of rhetoric could perhaps be seen as one of the core elements of how modern day finance markets function" (2012, 59). Similar statements are made about accounting as well. Covaleski, Dirsmith, and Samuel (1995) claim that accounting could be used as a rhetorical device for representing an economic reality as well as setting forth the concept of reasonable value.

As one of the most important communication mediums in finance, annual reports are also rhetorical. The rhetorical strategies are mostly used in other information appearing alongside the audited financial statements (Davison 2008), where management can tell stories about the company's performance through carefully crafted languages. These narratives could be important as they include qualitative explanations and interpretations which cannot be found in the audited financial statements (Abrahamson and Amir 1996). Much prior research has shown that those narratives have substantial impact on investors' decision making. Amir and Lev (1996) examine and compare the relevant values of financial and non-financial information to investors. They find that "on a stand-alone basis, financial information is largely irrelevant for security valuation" (1996, 3), but if combined with non-financial information, its relevant value to investors is much enhanced. Rogers and Grant (1997) conduct similar research on company annual reports to determine which components financial analysts use the most for their research and analysis. After evaluating 187 analyst reports using context-specific content analysis, they find that out of all citations from annual reports that were used by analysts, the rhetorical narratives of annual reports provide almost twice the information as traditional financial statements do. In other words, even the professional users of annual reports rely on rhetorical narratives more than traditional financial data in evaluating company value and making investment decisions. Breton and Taffler's research (2001, 91) draws the same conclusion: "non-financial qualitative factors are the most significant drivers of analyst judgment… analysts rely crucially on non-financial, soft, qualitative and imprecise information."

Besides the substantial impact of rhetoric on investors, prior research also finds that these narratives usually seek to emphasize positive results and company value to investors (Malavasi 2006). Hildebrandt and Snyder (1981, 6) are among the earliest scholars who suggest the existence of “the Pollyanna principle” in business communication, which means “positive, affirmative words are used more often than negative words.” They analyze annual reports of 12 corporations in a financially good year, 1977, and a financially bad year, 1975. After counting positive and negative words in annual reports from both years and comparing the results, Hildebrandt and Snyder conclude that “positive words occur more frequently than negative words in annual letters to stockholders regardless of the corporation’s financial position.” While this research in 1981 used a manual content analysis approach, most recent studies rely on computer programs that allow larger sample sizes and thus increase the power of empirical tests (Li 2010, 145). Rutherford (2005) conducts a corpus-based research on the word frequencies of annual reports from 419 U.K. companies. He also finds the Pollyanna effect in annual reports and further finds evidence proving the Pollyanna effect is greater in poorly performing companies. Rutherford interprets the Pollyanna effect as a form of impression management. He expresses his concern as this effect is apparent even “in narratives produced under the influence of authoritative guidance… that includes a requirement to report neutrally” (2005, 362).

Rutherford’s concern is shared by many other scholars as well as the audit profession. The revised ISA 720 and the proposed PCAOB standard share the same objective, to tighten regulations over other information, where companies’ rhetoric strategies are mostly used. If the proposed PCAOB standard is passed and auditors’ responsibility is extended to other information, these rhetorical strategies will also be subject to independent audit procedures. As the function of independent audit is to ensure the fairness of financial reporting, narratives that delivers overly positive rhetorical information might not be considered consistent with the financial results in the audited financial statements. Thus, the auditors may require management to decrease the use of this rhetorical strategy in the other information. This research is going to examine the hypothesis that companies will be more careful and use less rhetoric that delivers overly positive information in their financial reporting, if the standard that enforces independent audit on other information is established. Stated formally:

> **H1**: Rhetorical strategies that deliver overly positive message in other information appearing alongside audited financial statements will decrease if the other information is subject to audit procedures.

Rhetoric in CEO Letters

Among all parts of annual reports, I choose the CEO letter as the primary focus of this research for the following reasons. First, it is motivated by Abrahamson and Amir's study in 1996, in which they explained that CEO letters are "less restricted by the Securities and Exchange Commission (SEC) regulations, compared with footnote information and MD&A, allowing management to provide users with potentially useful information not included in the financial statement" (1158). CEO letters allow management to provide more information and allow space to tell stories with rhetorical strategies. Second, the CEO letter is one of the most important other information sources - frequently used by investors (Bartlett and Chandler 1997; Amernic and Craig 2006; Hooghiemstra 2010; Jonäll and Rimmel 2010; Craig and Brenna 2011; etc.). Baird and Zelin (2000) find both positive and negative impact of qualitative information in CEO letters on investors' decision making process. With such impact, the CEO letter becomes "an important vehicle for management to persuade investors that the company is a worthwhile investment" (Baird and Zelin 2000, 71). Management prepares this letter to "put the company in a positive light and thus bolster the trust of the reader" (Camiciottoli 2013, 14). Third, there is an inherent link between the CEO letter and rhetoric. The CEO letter belongs to "written financial genres which are attributed to leading figures of companies" (Camiciottoli 2013, 14). Although some CEO letters are written by professional writers other than the CEOs themselves, they were constructed in the tone of the company's executive management. One of the leading business schools in Spain, ESADE, held a series of conferences to discuss rhetoric and narratives in management research. In part of this discussion, scholars point out that persuasion is a key "managerial activity" (Bonet, Czarniawaska, McCloskey, and Jensen 2011, 6) and "a rhetorical approach to management constitutes a basic theory of communication" (2011, 9). Because it is the duty of corporation leaders to "give meaning to themselves and to their organizations in order to create personal and corporate identities" (2011, 7), their communication inherently requires strategies of persuasion and rhetoric.

This rhetorical dimension of CEOs' communication is confirmed by prior research. In the 2004 study on General Electric's communication to shareholders, Palmer, King, and Kelleher (2004, 593) analyze the CEO letters from 1980 to 1999 using the theory of "change conversation" and speech act. They find the use of these rhetorical techniques increases when management "sought to reassure shareholders and reduce their uncertainty" (593). The researchers claim that rhetoric is used to "construct reality" and to strengthen investor support. Hyland (2005) studies CEO letters of Hong Kong companies and finds frequent use of rhetorical features consistent with Aristotle's *logos*, *ethos*, and *pathos*. For instance, management uses *logos* through logical connectives, including "therefore" and "nonetheless," which appeal to readers' rationality to understand the company's position in a way desired by the management; management also uses pronouns such as "we" and "us" to help foster *ethos* and establish the credibility and trustworthiness of the company; *pathos* is also used frequently by management through words and phrases conveying emotions that build the personal link between the corporate leaders and investors (Camiciottoli 2013, 35). Likewise, in the book *CEO-Speak: The*

Language of Corporate Leadership, Amernic and Craig (2006) analyze the rhetorical perspective of CEO communications from ten different international corporations. They find CEO communications are a language game of management to make convincing arguments about the company's value to the public. A more recent study is conducted by Jonäll and Rimmel (2010, 307 and 322). Their discourse analysis on three sample companies show that the CEO letters were constructed carefully to "persuade readers of the company's legitimacy, excellence, and future survival." For example, the CEO letters in this study only commented on positive company performance that reflected company success but avoided discussions on the negative factors. Like most prior research, this study concludes that the language used in CEO letters is carefully selected with strategic purposes (307).

Analytical Methodology

One preliminary difficulty in studying rhetoric in finance is to find "an objective quantitative measure of the information being conveyed" (Feldman, Govindaraj, Livnat, and Segal 2010). Much prior research applies textual analysis in accounting and financial languages, that is counting the relative frequency of words with certain sentiments to measure the tone of texts (Loughran and McDonald 2015). As Li (2010) discusses in "Textual Analysis of Corporate Disclosures: A Survey of the Literature," textual analysis usually has two approaches. The dictionary approach utilizes computer programs to classify all words from the text into different groups based on pre-defined categories, while the statistical approach uses statistical techniques to find correlations between content and language use. One of the earliest studies using the dictionary approach was conducted by Frazier, Ingram, and Tennyson in 1984. They introduce a content analysis program, WORDS, which identifies the narrative words that can be reasonably interpreted as positive or negative. They determine the overall theme of a text through comparing the frequency of positive and negative words included. Likewise, Davis, Piger, and Sedor (2012, 846) use another textual-analysis program, DICTION, to "count words characterized by linguistic theory as optimistic and pessimistic" to obtain a measure of the general theme in managers' language use. As Feldman, Govindaraj, Livnat, and Segal (2010) point out, the frequency of positive or negative words indicates the degree of optimistic or pessimistic tone in the text. That is, by using more positive words, management can tell a more optimistic story about the company performance that may or may not conform to the message conveyed by the audited financial statements. If the frequency of positive words can indicate the tone of positivity in the language, I would hypothesize that companies would use less positive words in CEO letters, after ISA 720 went effective when other information is subjective to stricter independent audit procedures.

This research mainly uses the dictionary approach. Li (2010, 146) points out a disadvantage of dictionary approach in her literature review, that is "few dictionaries exist that are built for the setting of corporate financial statements and thus may not work well for such a setting." Acknowledging her point, I use a dictionary tailored for financial rhetoric, Loughran and McDonald Sentiment Word List (Loughran and McDonald 2015). This word list assigns words into different sentiment categories, including positive words, negative words, etc., based on the purpose for analyzing financial texts. As Loughran and McDonald (2015, 2) disclose, "they examined all words appearing in at least 5% of the entire 10-K universe and placed words into a particular list if one could reasonably expect that the majority of the time the word would be used in a given context." Using this word list, I wrote a Python program to help count the frequency of positive words in the sample CEO letters and then tabulated the total counts in each CEO letter of each sample company. Then, I analyzed individual companies and compared the frequency of positive words in each company's CEO letters before and after the effective date of ISA 720. As a relatively high frequency of positive words is considered optimistic about the company performance (Loughran and McDonald 2015), a change to less frequency of positive words in CEO letters contained in company annual reports can reflect a shift from a positive tone to a more neutral tone of the management, as a potential effect of ISA 720 and auditors' increasing responsibility over other information.

Another disadvantage of the dictionary approach, as Li (2010, 146) points out, is that "the simple dictionary-based approach ignores the context." This criticism is shared by some other scholars including Camiciottoli (2013, 46). She describes the approach of word frequency counts as "bottom-up" from the text while the analysis emphasizing the contextual aspects of communication is "top-down" from the context. According to Camiciottoli, "it is crucial to integrate the 'bottom-up' information derived from the computerized study of individual words and phrases with the 'top-down' knowledge derived from the broader textual context" (46). To acknowledge this disadvantage of the simple dictionary approach and to establish a more complete framework for this research, I also conducted a detailed rhetorical analysis for one set of sample letters "to offer not only systematic description of language, but also explanations of its usage" (37).

Sampling

I selected 29 sample companies. As shown in Table 1, the selection was based on the list of ASX Top 50 Companies, made by a committee from Standard & Poor's (S&P) and the Australian Securities Exchange (ASX). According to its website asx50list.com, all companies listed on the Australian Securities Exchange (ASX), excluding Exchange Traded Funds (ETFs) and Listed Investment Companies (LICs), are ranked by market capitalization quarterly. The list

Table 1: Sample Company Selection	
ASX50 Companies	50
Companies that do not have CEO letters in their annual reports	-13
Companies that had different CEOs/MDs between two years	-5
Companies that had significant change to the structure of CEO letters	-2
Companies that ended its most recent fiscal year before ISA720 went effective	-1
Sample Companies	29

used in this research contains the top 50 Australian companies in market capitalization as of December 2017. Among the 50 companies, 13 do not have CEO letters in their annual reports and thus were excluded from the analysis. I also excluded companies with significant other factors affecting the consistency of language choices between two years: 5 were excluded for the changes of CEOs or Managing Directors (MD) and 2 were excluded for the significant change to the structure of CEO letters. For example, Commonwealth Bank of Australia, ranked first on ASX50, was excluded from this analysis because its 2016 annual report contains separate Chairman's Statement and CEO's Statement, while in 2017 they were combined into a joint statement from Chairman and CEO. As its joint statement in 2017 could significantly vary from the independent CEO letter in 2016 due to the change of author, letter content, and length, this set of CEO letters does not qualify for this analysis. Similarly, Computershare Limited, ranked the 47th on ASX50, issued a joint statement from the Chairman and the CEO in 2016 but separated the letters in 2017, so it was also disqualified for the significant change to the structure of its letters. Also, I excluded Aristocrat Leisure Limited, of which the most recent fiscal year ended before the enactment of ISA 720, for the lack of comparison as the time I started this research.

Table 2: Sample Companies

#	Company	Sector	Document
1	Westpac Banking Corporation	Financials	CEO's Report
2	BHP Billiton Limited	Materials	CEO's Report
3	Australia And New Zealand Banking Group Limited	Financials	CEO's Report
4	Wesfarmers Limited	Consumer Staples	Managing Director's Report
5	Telstra Corporation Limited	Telecommunications Services	Chairman and CEO Message
6	Woolworths Limited	Consumer Staples	Managing Director's Report
7	Macquarie Group Limited	Financials	Chairman's and Managing Director's Letter
8	Woodside Petroleum Limited	Energy	CEO's Statement
9	Newcrest Mining Limited	Materials	Managing Director's Review
10	Amcor Limited	Materials	Message from the Managing Director and Chief Executive Officer
11	SOUTH32 Limited	Materials	CEO's Report
12	Sydney Airport Forus	Industrials	Chairman and CEO's Message
13	AGL Energy Limited	Utilities	Managing Director & CEO's Report
14	Goodman Group Stapled	Real Estate	Group CEO's Report
15	Stockland Stapled	Real Estate	Letter from the Managing Director and CEO
16	Treasury Wine Estates Limited	Consumer Staples	Chairman and CEO's Report
17	ASX Limited	Financials	Letter from the Chairman and the CEO
18	Vicinity Centres Stapled	Real Estate	CEO and Managing Director's Review
19	Oil Search Limited 10T	Energy	Managing Director's Update
20	Dexus Stapled	Real Estate	Chair and CEO Review
21	APA Group Stapled	Utilities	Managing Director's Report
22	Qantas Airways Limited	Industrials	CEO's Report
23	James Hardie Industries PLC Cdi 1:1	Materials	CEO's Report
24	Sonic Healthcare Limited	Health Care	CEO Report
25	Lendlease Group Stapled	Real Estate	CEO's Report
26	Mirvac Group Stapled	Real Estate	Letter from the Chairman and CEO & Managing Director
27	Medibank Private Limited	Financials	CEO's Message
28	Caltex Australia Limited	Energy	Report for the Chairman and the Managing Director & CEO
29	Orica Limited	Materials	Managing Director's Message

Table 2 is a full list of all 29 sample companies selected, with the market sector and the name of the CEO letter used in each company's annual report. The sample is well diversified by sector, including 3 companies from Consumer Staples, 3 from Energy, 5 from Financials, 1 from Health Care, 2 from Industrials, 6 from Materials, 6 from Real Estate, 1 from Telecommunication Services, as well as 2 from Utilities. I obtained these 29 companies' CEO letters contained in their annual reports published before and after December 15, 2016, as ISA 720 was effective for years ending after that date. Note that each company names its CEO letter differently, including but not limited to "CEO's Report" (Westpac Banking Corporation, etc.), "CEO's Statement" (Woodside Petroleum Limited), "CEO's Message" (Medibank Private Limited), etc. As they all serve the same purpose and function as a tool of communication from the CEO to the public, they all qualify as CEO letters and thus for this analysis. Also, some companies such as Wesfarmers Limited and Newcrest Mining Limited have MDs instead of CEOs. MDs hold the same function as CEOs, so I included those "Managing Director's Report" and "Managing Director's Review" as well. There were also cases where the Chairman of the company makes a joint statement with the CEO or the MD, such as "Chairman's and Managing Director's Letter" (Macquarie Group Limited) and "Letter from the Chairman and the CEO" (ASX Limited), all of which I included as sample texts for this research.

Results and Analysis: Dictionary Approach

Table 3 shows the results of positive word frequency counts among 29 CEO letters published before ISA 720 went effective and those after ISA 720. Note that different cases or tenses of the same origin word, such as *strong, stronger, strongest, strength, strengthen, strengthened,* and *strengthening,* are clustered into one entry for the convenience of listing. Also, frequencies are shown per 10,000 words for each entry. This is inspired by Rutherford's 2005 study in which he uses a corpus linguistics-based approach to analyze U.K. Operating and Financial Review (OFR) as a genre of accounting narratives. Rutherford (2005, 361) states that raw frequencies "are difficult to compare across groups because the length of individual OFRs varies and there are systematic differences in length of OFRs between the groups (for example, larger companies produce longer OFRs)." To eliminate the effect of length, he measures frequency per 10,000 words. Likewise, there is considerable difference in text length between the CEO letters before ISA 720 and those after ISA 720: the prior has a total of 44,736 words, of which 1,181 are identified as positive, while the latter group of CEO letters has a total of 44,063 words and 1,109 positive words. With the different volume of words between two groups, raw frequencies could be inappropriate to compare. For example, the word cluster *advance, advancing*, and *advancement* appears 3 times in both groups of CEO letters, but taking the total word counts as basis, this word cluster appears 0.671 time per 10,000 words in CEO letters before ISA 720 and 0.681 time per 10,000 words in those after ISA 720. This 1.5% increase of frequency is more accurate than the unchanged raw frequency. Another example could cause a more important impact on the comparison. The word cluster *improve, improved, improving,* and *improvement* appears 133 times in CEO letters before ISA 720 and 132 times in those after ISA 720. While the raw data shows a decrease of word frequency, the frequency in proportion to the total word counts draws the opposite conclusion: before ISA 720, this word cluster appears 29.73 times per 10,000 words, and after ISA 720, it appears 29.96 times per 10,000 words, indicating a marginal increase. Thus, word count results are also measured per 10,000 words in this research to acknowledge this limitation of raw frequency and to eliminate the effect of different text lengths for proper comparison.

TABLE 3: RESULT OF POSITIVE WORD FREQUENCY COUNT

POSITIVE WORD CLUSTERS	Before ISA 720 per 10,000 words	After ISA 720 per 10,000 words	Change
strong/stronger/strongest/strength/strengthen/strengthened/strengthening	39.789	43.574	3.785
pleased/pleasure	3.129	5.901	2.771
excellent/excellence	2.682	4.993	2.310
positive/positively	3.800	5.447	1.647
opportunity	15.647	17.021	1.374
highest	2.235	3.404	1.169
better	6.259	7.262	1.003
best	6.482	7.262	0.780
collaborate/collaborated/collaborating/collaborative/collaboration	1.565	2.269	0.705
exceptional/exceptionally	0.671	1.362	0.691
integrity	0.671	1.362	0.691
delighted	0.447	1.135	0.688
win/winning	0.224	0.908	0.684
gain/gained/gaining	3.577	4.085	0.509
profitable/profitability	1.341	1.816	0.474
valuable	0.671	1.135	0.464
brilliant	0.224	0.681	0.457
vibrant	0	0.454	0.454
stable/stability	3.800	4.085	0.285
smooth/smoothly	0.671	0.908	0.237
proactive/proactively	0.447	0.681	0.234
alliance	0.224	0.454	0.230
compliments	0.224	0.454	0.230
creative/creatively	0.224	0.454	0.230
popular	0.224	0.454	0.230
attain	0	0.227	0.227
exemplary	0	0.227	0.227
fantastic	0	0.227	0.227
happy	0	0.227	0.227
invention	0	0.227	0.227
improve/improved/improving/improvement	29.730	29.957	0.227
benefit/benefited/benefiting/beneficial	4.694	4.766	0.072
advance/advancing/advancement	0.671	0.681	0.010
prospering/prosperity/prosperous	0.671	0.681	0.010
impress/impressed/impressive/impressively	0.447	0.454	0.007
bolstered	0.224	0.227	0.003

resolve	0.224	0.227	0.003
tremendous	0.224	0.227	0.003
progress/progressed/progressing	10.953	10.893	-0.060
leading/leadership	8.718	8.624	-0.094
advantage/advantaged	4.694	4.539	-0.155
despite	3.577	3.404	-0.172
easy/easier	0.894	0.681	-0.213
encourage/encouraged/encouraging	0.671	0.454	-0.217
enjoy/enjoyed	0.671	0.454	-0.217
accomplished/accomplishment	0.447	0.227	-0.220
assure/assured/assuring	0.447	0.227	-0.220
enthusiasm	0.447	0.227	-0.220
perfect	0.447	0.227	-0.220
boosted	0.224	0	-0.224
distinctive	0.224	0	-0.224
friendly	0.224	0	-0.224
ideal	0.224	0	-0.224
ingenuity	0.224	0	-0.224
inspirational	0.224	0	-0.224
premier	0.224	0	-0.224
reward/rewarded/rewarding	1.341	0.908	-0.433
exclusively	0.671	0.227	-0.444
outperform/outperformed/outperforming	0.671	0.227	-0.444
surpassing	0.447	0	-0.447
great/greater/greatest	8.047	7.489	-0.558
attractive/attractiveness	2.235	1.589	-0.647
empower/empowered/empowering	2.012	1.362	-0.650
optimistic	0.671	0	-0.671
efficient/efficiently/efficiency/efficiencies	6.706	5.901	-0.805
excited/exciting	2.906	2.043	-0.863
effective	2.682	1.816	-0.867
transparency	1.341	0.454	-0.887
superior	2.012	0.908	-1.104
able	2.235	0.908	-1.328
confident	2.235	0.908	-1.328
satisfy/satisfied/satisfying/satisfaction	3.800	1.816	-1.984
enable/enabled/enabling	5.141	2.950	-2.191
achieve/achieved/achieving/achievement	16.541	14.298	-2.244
innovate/innovative/innovation/innovator	9.165	6.128	-3.037

succeed/succeeded/succeeding/success/successfu l/successfully	11.624	8.397	-3.227
good	6.259	2.950	-3.309
enhance/enhanced/enhancing/enhancement	9.612	4.539	-5.073
SUM	**263.993**	**251.685**	**-12.308**

The results do not find support for the hypothesis. As shown in Table 3, 264 positive words are identified per 10,000 words in CEO letters published before ISA 720, while 252 positive words are identified per 10,000 words in those after, reflecting a slight decrease of positive words by 12 per 10,000 words, which could not be considered as a strong indicator of change in the tone. Furthermore, since ISA 720 went effective, there has been more use of strong positive adjectives that are hyperbolic in nature. Camiciottoli (2013, 108) finds in her textual analysis that there are strong positive adjectives which are hyperbolic as they "upscale reality in exaggerated ways." Examples of those adjectives in the sample texts include word clusters of *brilliant, excellent, exceptional, fantastic, good, great, highest, perfect, strong, superior,* and *tremendous,* which appear 81 times per 10,000 words after ISA 720, compared to 75 times before the enactment. Hyperbolic adjectives are used to exaggerate the positive performance of the company such as "Macquarie remains well positioned to deliver *superior* performance in the medium-term" (Macquarie Group 2017, 7); "Along with our *strong* financial result, we delivered an *exceptional* performance in each sector" (Mirvac Group Stapled 2017, 5); etc. These adjectives are the typical application of hyperbole as a rhetorical device. The hyperbolic rhetorical device is used more frequently after the ISA 720 which speaks to a change of rhetoric that is opposite to the hypothesis.

I also ran a correlation between the change in positive word frequency and the change in net income of each company (Table 4). Naturally, one would assume that if a company has a more positive performance such as a higher profitability, the management will use more positive

TABLE 4: RESULT OF POSITIVE WORD FREQUENCY COUNT BY COMPANY

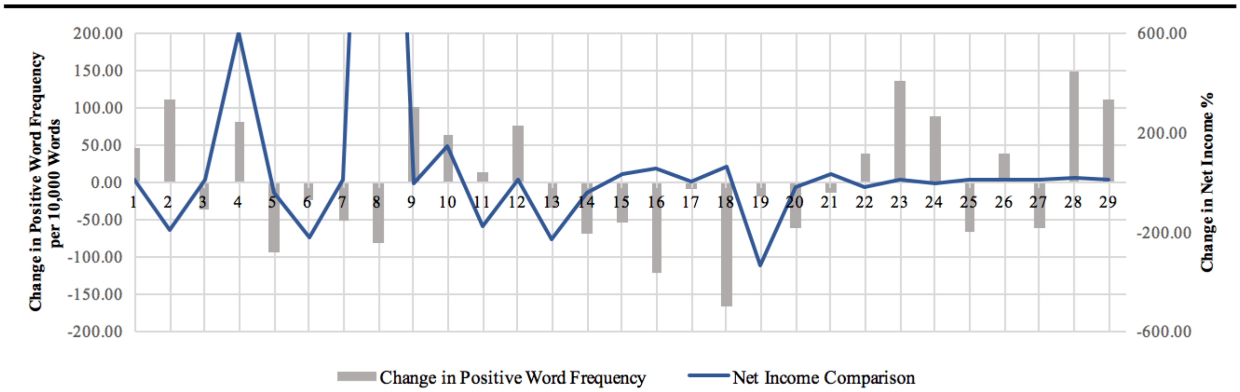
#	Company	Change in Positive Word Frequency *per 10,000 words*	Net Income Comparison %
1	Westpac Banking Corporation	45.82	7.32
2	BHP Billiton Limited	110.90	192.25
3	Australia And New Zealand Banking Group Limited	-36.65	12.21
4	Wesfarmers Limited	81.15	605.90
5	Telstra Corporation Limited	-95.05	-43.19
6	Woolworths Limited	-22.86	224.21
7	Macquarie Group Limited	-51.17	7.46
8	Woodside Petroleum Limited	-81.46	3238.46
9	Newcrest Mining Limited	102.28	-7.23
10	Amcor Limited	63.08	144.67
11	SOUTH32 Limited	13.38	176.22
12	Sydney Airport Forus	76.14	13.43
13	AGL Energy Limited	-34.84	232.11
14	Goodman Group Stapled	-69.55	-38.98
15	Stockland Stapled	-53.83	34.42
16	Treasury Wine Estates Limited	-120.63	55.49
17	ASX Limited	-9.52	1.88
18	Vicinity Centres Stapled	-165.28	64.83
19	Oil Search Limited 10T	-19.31	330.77
20	Dexus Stapled	-60.78	-16.54
21	APA Group Stapled	-14.40	31.67
22	Qantas Airways Limited	37.69	-17.20
23	James Hardie Industries PLC Cdi 1:1	135.67	13.52
24	Sonic Healthcare Limited	88.52	-5.10
25	Lendlease Group Stapled	-65.48	8.74
26	Mirvac Group Stapled	38.16	12.68
27	Medibank Private Limited	-61.06	7.66
28	Caltex Australia Limited	149.64	16.86
29	Orica Limited	111.81	12.54

words to reveal the good news to the public. It is also possible that poorly performing companies will utilize more positive words to bolster the company value to investors (Rutherford 2005). Nonetheless, positive or negative company performance could impact the use of rhetoric, so the change of profitability from the prior year is a control variable in evaluating the change of positive word frequencies. The correlation coefficient between the change of positive word frequencies and the change of net income is approximately -0.16, indicating a weak negative linear relationship between these two variables. The fact that the change of positive word frequency is reversely related to the change of net income suggests the possibility that rhetoric is used to bolster company values when the financial performance weakens and is not convincing enough for investors. If the companies still used this rhetorical strategy after ISA 720 went effective, this correlation does not support the hypothesis that the establishment of ISA 720 tightens management's use of positive messaging in CEO letters. Furthermore, while 10 out of 29 sample companies decreased use of positive words despite the increased net income (Table 5), suggesting a possible impact of ISA 720 on this rhetorical strategy, there were still 13 companies that used more positive words in their letters published in the latter year regardless of their financial performance. Overall, I could not find pervasive and convincing evidence suggesting that ISA 720 had an influence on the use of positive words or general rhetorical techniques in the 29 companies' CEO letters that I studied.

TABLE 5: RESULT SUMMARY

	Increased Positive Word Frequency	*Decreased Positive Word Frequency*
Increased Net Income	8 Companies	10 Companies
Decreased Net Income	5 Companies	6 Companies

CHART 1: CHANGE OF POSITIVE WORD FREQUENCY IN CORRELATION TO CHANGE OF NET INCOME



Case Study – Rhetorical Analysis

Out of the 29 samples (Chart 1), one outlier that has a significant difference between the change in positive word frequency and the change in net income is sample 8, Woodside Petroleum Limited (Woodside). Woodside is an Australian operator of oil and gas production. In the fiscal year ended December 31, 2015 (before ISA 720 was effective), the company had $26 million net income from operation; in the fiscal year ended December 31, 2016 (after ISA 720 was effective), the net income increased over 30 times the 2015 financial result to $868 million. Even with such a large increase in profitability from prior year, the positive word count in the CEO letter decreased, from 389 per 10,000 words in 2015 to 307 per 10,000 words in 2016. Why would the management use less positive words when company performance improved substantially? Does the decreased frequency of positive words also represent a decreased use of other rhetorical techniques that are not solely about positive words? As Camiciottoli (2013) suggests, to interpret such "bottom-up" information about individual words, it's important to conduct "top-down" analysis from the context of the language as well. Thus, I conduct a rhetorical analysis on Woodside's CEO letters from both 2015 and 2016 as a case study to give a more comprehensive understanding of the change in the use of rhetorical techniques.

Both letters discuss the net income at the beginning of the text but have very different introductions that lead to the discussions. In 2015, the year with lower profitability, the CEO letter starts with a positive statement about the company performance: "As we look back over our performance in 2015, it is clear that our strategy, our assets and our people performed well amid the pressure of the significantly lower oil price environment" (2016, 8). This sentence mentions "the significantly lower oil price environment" as an unfavorable and uncontrollable industry factor to the company. Through setting up this negative environment factor early in the letter, it justifies the low profitability that is discussed later and highlights how the company "performed well" by contrast, leaving the readers with a positive impression about the company performance. Then the letter continues to discuss "the resilience of our business model" and "measured progress" made in 2015, including "meeting key objectives" and "improving the efficiency" (2016, 8). Listing the qualitative achievements made by the company deepens readers' positive impression on the company performance and could offset any disappointment at low profitability that is reported in the following sentence: "Reported Profit for the year was US$26 million, driven by the sharp fall in commodity prices and asset impairments." This introduction structure is designed with a rhetorical purpose, as it strategically starts with favorable performance of the company to set up a positive impression for the readers and to lower any negative impact on the readers' decision making that might be caused by the unfavorable net income.

On the other hand, the 2016 CEO letter, which reports a much higher profitability, starts off with a negative statement on the challenging year: "Our industry had a tough start to the year, with crude oil prices dropping to 14-year lows, and LNG from new projects flowing into an over-supplied market." Introducing the tough industry environment lowers readers' expectation of company performance, so it amplifies the successful performance of the company under this challenging environment and even enhances readers' positive impression later when the letter reports the high profitability: "Despite the external challenges, the company's strategy was never compromised. Reported profit for the year was $868 million…" (2017, 10). While the 2015 letter lists positive achievements to offset the low profitability reported later, the 2016 letter mentions the external challenges first to better highlight the high profitability – these two letters use different rhetorical strategies to serve different purposes.

Furthermore, to meet different situations, these two CEO letters establish two different ethe of Woodside that are two different images of the company to persuade readers of the company worth. The image established in 2015 emphasizes “people.” The CEO mentions “our people” repeatedly throughout the letter, such as “our people performed well” or “the resilience demonstrated by our people is something of which I am very proud” (2016, 9). This latter sentence establishes the CEO’s own ethos of leadership and shows how much the executive management cares and values the employees of Woodside. It creates a sense of unity throughout the company, especially facing the external challenges and seeking growth opportunities in the future. Creating this sense of unity could also be considered as a use of pathos, as it arouses readers’ feelings of belonging to this unified group. If the readers identify with the company, they can better sympathize with the uncontrollable difficulties the company is facing and be more forgiving about the unfavorable financial performance. Furthermore, it is evidenced that Woodside uses this rhetorical technique strategically to bolster the company image with the low profitability in 2015, as words such as “we,” “us,” and “our” appear 120 times in the 2015 CEO letter as compared to only 84 times in the 2016 one.

On the other hand, the 2016 CEO letter creates a different ethos of Woodside: the leader of the industry. The introduction of this letter starts with an industry overview, “our industry had a tough start to the year” (2017, 10), which sets a macro perspective for the CEO’s analysis and helps establish the leading role of Woodside in the industry. More importantly, this ethos is directly stated several times throughout the letter: “Woodside is now a global leader in both the management and cost of our facilities;” “This forward-looking approach is what makes us a leading supplier of affordable and sustainable energy” (2017, 10); etc. The confirmed and confident tone of those statements matches with the company’s identification of leadership as well. This ethos is a rhetorical choice of the company, as it can help enhance readers' positive impressions on the company's high profitability in that year. Furthermore, a large portion of the 2016 CEO letter describes "future growth" and "new opportunities" such as "we expect exciting times in 2017" and "we anticipate growing demand for renewables" (2017, 11). These exciting forward-looking statements imply continuation of the successful performance in 2016 to following years and depicts a bright future for the readers. It can also be considered as a use of pathos, as it appeals to the readers' excitement over the future success of Woodside and thus reinforces trusting relations between investors and the company.

Both CEO letters utilize rhetorical techniques, including ethos and pathos, and make strategic choices in the structure of the letters to optimize their own arguments. The difference of rhetoric in these two letters only reflects the different needs in the two years: the 2015 letter needs justification for the low profitability and evidence for investors to regain confidence in the company, while the high profitability gives the 2016 letter a great opportunity to further enhance readers' positive impressions on the company value. As the dictionary approach shows decreased positive word frequency from the 2015 letter to the 2016 letter, the rhetorical analysis further analyzes the letter contexts and shows this downplaying of positive messaging in the 2016 letter is a more nuanced rhetorical strategy to persuade investors of the company value, which better suits the favorable financial result of 2016.

Conclusion

This research serves as a starting point to discuss whether ISA 720, or other similar regulations that require independent audit procedures over other information in annual reports, could decrease the use of positive messaging as a rhetorical strategy in the languages of other information sections such as CEO letters. I conduct textual analysis with a dictionary approach to count frequency of positive words as categorized in Loughran and McDonald Sentiment Word List (Loughran and McDonald 2015) in 29 sets of CEO letters. Each set contains the CEO letters included in the annual reports of an Australian company from the years before and after ISA 720 was effective. Taking control variables such as company's profitability into consideration, I do not find any unified change of positive word frequency across all sets of sample letters. There is no significant evidence confirming an impact of the revised ISA 720 on positive messaging or other rhetorical strategies in the CEO letters in this study.

I also take a case study of detailed rhetorical analysis on the CEO letters of one sample company, Woodside Petroleum Limited, which did have a decrease of positive word frequency from the 2015 letter to the 2016 one as indicated in the dictionary approach. However, after a detailed rhetorical analysis from a contextual perspective, it is evidenced that the 2016 letter is just as rhetorical, only in a more nuanced way to achieve its objective: as Woodside had a high profitability in 2016, the CEO letter of that year reduced the positive messaging to better highlight the favorable financial performance and to further persuade investors of the company value. Woodside's 2015 and 2016 letters use different rhetoric to serve the same purpose of persuasion. Although the result does not support the hypothesis on the impact of ISA 720, this case study of Woodside's CEO letter still provides insights regarding how to understand and analyze rhetoric in financial reporting. I suggest future research to incorporate both the detailed "bottom-up" analysis and the general "top-down" knowledge for a proper understanding of financial rhetoric. Furthermore, I suggest that an independent auditor, who has gained sufficient understanding of the company from the audit, would be the most ideal person to analyze the use of rhetoric in annual reports and to evaluate the consistency of the qualitative disclosures with the audited financial statements. As ISA 720 states, an appropriate auditor for evaluating the other information must “have the relevant knowledge obtained in the audit to identify inconsistencies between the other information and that knowledge” (2015, 14). This finding also has its importance at the current era of big data, as it shows the limitation in the results of computerized analysis and thus the importance of human understanding and micro perspective.

The research results have certain limitations. First, I only sample CEO letters of 29 Australian companies. Future research should expand the size of the sample as well as the number of countries in which sample companies are based, to obtain a more comprehensive representation of all companies under the regulation of ISA 720. Second, I only compare the CEO letters from the year before ISA 720 was effective and from the year after. It could be valuable to include more CEO letters from past years and trace the trend of how the company changes its’ rhetorical strategies year over year. If there is already a pattern of rhetorical strategies without the impact of ISA 720, it would be a control variable that this research fails to consider. Future research should also include more CEO letters from the years after ISA 720 was effective, as the limited impact of ISA 720 on rhetoric of other information found in this study could also be explained by the fact that this regulation just went effective and still needs a few years of adjustment. Furthermore, this study only provides a “top-down” rhetorical analysis on one sample company as a case study. Future research should consider using both approaches and providing comprehensive analysis for more samples.

References

Abrahamson, E. and E. Amir, E. 1996. "The information content of the president's letter to shareholders." *Journal of Business Finance & Accounting*, 23(8).

AGL Energy Limited. 2016. "Managing Director & CEO's Report." *2016 Annual Report.*

AGL Energy Limited. 2017. "Managing Director & CEO's Report." *2017 Annual Report.*

Amcor Limited. 2016. "Message from the Managing Director and Chief Executive Officer." *2016 Annual Report.*

Amcor Limited. 2017. "Message from the Managing Director and Chief Executive Officer." *2017 Annual Report.*

Amernic, J. H. and R. Craig. 2006. *CEO-speak: The language of corporate leadership*. McGill-Queen's Press-MQUP.

Amir, E. and B. Lev. 1996. "Value-relevance of nonfinancial information: The wireless communications industry." *Journal of Accounting and Economics,* 22(1).

APA Group Stapled. 2016. "Managing Director's Report." *2016 Annual Report.*

APA Group Stapled. 2017. "Managing Director's Report." *2017 Annual Report.*

ASX Limited. 2016. "Letter from the Chairman and the CEO." *2016 Annual Report.*

ASX Limited. 2017. "Letter from the Chairman and the CEO." *2017 Annual Report.*

Australian and New Zealand Banking Group Limited. 2016. "CEO's Report." *2016 Annual Report.*

Australian and New Zealand Banking Group Limited. 2017. "CEO's Report." *2017 Annual Report.*

Australian Securities Exchange. "How are ASX 50 companies selected?" Asx100list.com.

Baird, J. E., and R. C. Zelin. 2000. "The effects of information ordering on investor perceptions: an experiment utilizing presidents' letters."

Bartlett, S. A., and R. A. Chandler. 1997. "The corporate report and the private shareholder: Lee and Tweedie twenty years on." *The British Accounting Review*, 29(3), 245-261.

Bedard, J., S. Sutton, V. Arnold, and J. Phillips. 2012. "Another Piece of the "Expectations Gap: What Do Investors Know About Auditor Involvement with Information in the Annual Report?" *Current Issues in Auditing*, 6(1).

BHP Billiton Limited. 2016. "CEO's Report." *2016 Annual Report.*

BHP Billiton Limited. 2017. "CEO's Report." *2017 Annual Report.*

Bonet, E., B. Czarniawaska, D. McCloskey, and H. S. Jensen. 2011. *Second conference on narratives and management research: Management and persuasion.* Barcelona: Esade.

Booth, W. C. 1988. *The company we keep: An ethics of fiction*. Univ. of California Press.

Breton, G. and R. J. Taffler. 2001. "Accounting information and analyst stock recommendation decisions: a content analysis approach." *Accounting and business research* 31, no. 2.

Caltex Australia Limited. 2016. "Report for the Chairman and the Managing Director & CEO." *2015 Annual Report.*

Caltex Australia Limited. 2017. "Report for the Chairman and the Managing Director & CEO." *2016 Annual Report.*

Camiciottoli, B. C. 2013. *Rhetoric in financial discourse: A linguistic analysis of ICT-mediated disclosure genres*. Editions Rodopi BV.

Covaleski, M., M. Dirsmith, and S. Samuel. 1995. "The Use of Accounting Information in Governmental Regulation and Public Administration: The Impact of John R. Commons and Early Institutional Economists." *The Accounting Historians Journal*, 22(1).

Craig, R. J. and N. M. Brennan. 2011. “An Exploration of the Relationship between Language Choice in CEO Letters to Shareholders and Corporate Reputation.” Accounting Forum. Vol. 36. No. 3.
Davis, A., Piger, J., and Sedor, L. 2012. “Beyond the Numbers: Measuring the Information Content of Earnings Press Release Language.” *Contemporary Accounting Research*, 29(3).
Davison, J. 2008. “Rhetoric, repetition, reporting and the “dot. com” era: words, pictures, intangibles.” *Accounting, Auditing & Accountability Journal*, 21(6).
Dexus Stapled. 2016. “Chair and CEO Review.” *2016 Annual Report.*
Dexus Stapled. 2017. “Chair and CEO Review.” *2017 Annual Report.*
Doty, J. R. 2013. “Statement on Proposed Auditing Standards Regarding the Auditor’s Report and the Auditor’s Responsibilities Regarding Other Information.”
Eilifsen, A., W. F. Messier, S. M. Glover, and D. F. Prawitt. 2013. *Auditing and assurance services*. McGraw-Hill.
Fairclough, N. 2003. *Analysing discourse: Textual analysis for social research*. Psychology Press.
Feldman, R., S. Govindaraj, J. Livnat, and B. Segal. 2010. “Management’s tone change, post earnings announcement drift and accruals.” *Review of Accounting Studies*, 15(4).
Firth, M. 1979. "The impact of size, stock market listing, and auditors on voluntary disclosure in corporate annual reports." *Accounting and Business Research* 9.36: 273-280.
Goodman Group Stapled. 2016. “Group CEO’s Report.” *2016 Annual Report.*
Goodman Group Stapled. 2017. “Group CEO’s Report.” *2017 Annual Report.*
Gowthorpe, C. and O. Amat. 2005. "Creative accounting: Some ethical issues of macro-and micro-manipulation." *Journal of Business Ethics 57*, no. 1: 55-64.
Hildebrandt, H. and R. Snyder, 1981. “The Pollyanna Hypothesis in Business Writing: Initial Results, Suggestions for Research.” *The Journal of Business Communication*, 18(1).
Hooghiemstra, R. 2010. “Letters to the shareholders: A content analysis comparison of letters written by CEOs in the United States and Japan.” *The international journal of accounting* 45, no. 3: 275-300.
Hyland, K. 2005. Metadiscourse. John Wiley & Sons, Inc..
International Federation of Accountants (IFAC). 2015. “International Standard on Auditing (ISA) 720 (Revised), The Auditor’s Responsibilities Relating to Other Information.”
James Hardie Industries PLC Cdi 1:1. 2016. “CEO’s Report.” *2016 Annual Report.*
James Hardie Industries PLC Cdi 1:1. 2017. “CEO’s Report.” *2017 Annual Report.*
Jarnebrant, P., O. Toubia, and E. Johnson, “The Silver Lining Effect: Formal Analysis and Experiments.” *Management Science*, vol. 55, no. 11.
Jonäll, K., and G. Rimmel. 2010. “CEO letters as legitimacy builders: Coupling text to numbers”. *Journal of HRCA : Human Resource Costing & Accounting*, 14(4).
Kueppers, R. J., and K. B. Sullivan. 2010. "How and why an independent audit matters." *International Journal of disclosure and governance* 7.4: 286-293.
Lee, F., C. Peterson and L. Z. Tiedens. 2004. “Mea culpa: predicting stock prices from organizational attributions”, *Personality and Social Psychology Bulletin*, Vol. 30.
Lendlease Group Stapled. 2016. “CEO’s Report.” *2016 Annual Report.*
Lendlease Group Stapled. 2017. “CEO’s Report.” *2017 Annual Report.*
Li, F. 2010. “Textual Analysis of Corporate Disclosures: A Survey of the Literature.” *Journal of Accounting Literature*, 29.

Loughran, T., and B. McDonald. 2015. "The use of word lists in textual analysis." *Journal of Behavioral Finance* 16.1: 1-11.
Malavasi, D. 2006. “Annual reports: An analysis of lexical evaluation across sections.” *Managing interaction in professional discourse: Intercultural and interdiscoursal perspectives.* Rome: Officina Edizioni.
McCloskey, D., and A. Klamer. 1992. "The rhetoric of finance." *The New Palgrave Dictionary of Money and Finance*: 350-352.
McCloskey, D. 1998. *The Rhetoric of Economics*. University of Wisconsin Press.
Medibank Private Limited. 2016. “CEO’s Message.” *2016 Annual Report.*
Medibank Private Limited. 2017. “CEO’s Message.” *2017 Annual Report.*
Mirvac Group Stapled. 2016. “Letter from the Chairman and CEO & Managing Director.” *2016 Annual Report.*
Mirvac Group Stapled. 2017. “Letter from the Chairman and CEO & Managing Director.” *2017 Annual Report.*
Newcrest Mining Limited. 2016. “Managing Director's Review.” *2015 Annual Report.*
Newcrest Mining Limited. 2017. “Managing Director's Review.” *2016 Annual Report.*
Ohlsson, C. 2012. "The Rhetoric of Financial Literacy." *Journal of Interdisciplinary Economics* 24.1: 55-75.
Oil Search Limited 10T. 2016. “Managing Director's Update.” *2015 Annual Report.*
Oil Search Limited 10T. 2017. “Managing Director's Update.” *2016 Annual Report.*
Orica Limited. 2016. “Managing Director’s Message.” *2016 Annual Report.*
Orica Limited. 2017. “Managing Director’s Message.” *2017 Annual Report.*
Palmer, I., A. W. King, and D. Kelleher. "Listening to Jack: GE's change conversations with shareholders." *Journal of organizational change management* 17.6: 593-614.
Public Company Accounting Oversight Board (PCAOB). *AS 1001: Responsibilities and Functions of the Independent Auditor.*
Public Company Accounting Oversight Board (PCAOB). *AS 2710: Other Information in Documents Containing Audited Financial Statements.*
Public Company Accounting Oversight Board (PCAOB). 2011. “PCAOB Release No. 2011-003.”
Public Company Accounting Oversight Board (PCAOB). "Mission and Vision."
Qantas Airways Limited. 2016. “CEO’s Report.” *2016 Annual Report.*
Qantas Airways Limited. 2017. “CEO’s Report.” *2017 Annual Report.*
Rogers, R. K. and J. Grant. 1997. "Content analysis of information cited in reports of sell-side financial analysts." *Journal of Financial Statement Analysis* 3: 17-31.
Rutherford, B. 2005. “Genre Analysis of Corporate Annual Report Narratives: A Corpus Linguistics-Based Approach.” *The Journal of Business Communication*, 42(4).
Security and Exchange Commission (SEC). 1987. “Securities Act Release No. 6711 (April 17, 1987), Concept Release on Management's Discussion and Analysis of Financial Condition and Results of Operations.”
Sonic Healthcare Limited. 2016. “CEO Report.” *2016 Annual Report.*
Sonic Healthcare Limited. 2017. “CEO Report.” *2017 Annual Report.*
SOUTH32 Limited. 2016. “CEO's Report.” *2016 Annual Report.*
SOUTH32 Limited. 2017. “CEO's Report.” *2017 Annual Report.*
Stockland Stapled. 2016. “Letter from the Managing Director and CEO.” *2016 Annual Report.*
Stockland Stapled. 2017. “Letter from the Managing Director and CEO.” *2017 Annual Report.*

Sydney Airport Forus. 2016. “Chairman and CEO's Message.” *2015 Annual Report.*
Sydney Airport Forus. 2017. “Chairman and CEO's Message.” *2016 Annual Report.*
Telstra Corporation Limited. 2016. “Chairman and CEO Message.” *2016 Annual Report.*
Telstra Corporation Limited. 2017. “Chairman and CEO Message.” *2017 Annual Report.*
Treasury Wine Estates Limited. 2016. “Chairman and CEO’s Report.” *2016 Annual Report.*
Treasury Wine Estates Limited. 2017. “Chairman and CEO’s Report.” *2017 Annual Report.*
Vicinity Centres Stapled. 2016. “CEO and Managing Director’s Review.” *2016 Annual Report.*
Vicinity Centres Stapled. 2017. “CEO and Managing Director’s Review.” *2017 Annual Report.*
Wesfarmers Limited. 2016. “Managing Director’s Report.” *2016 Annual Report.*
Wesfarmers Limited. 2017. “Managing Director’s Report.” *2017 Annual Report.*
Westpac Banking Corporation. 2016. “CEO’s Report.” *2016 Annual Report.*
Westpac Banking Corporation. 2017. “CEO’s Report.” *2017 Annual Report.*
Woolworths Limited. 2016. “Managing Director’s Report.” *2016 Annual Report.*
Woolworths Limited. 2017. “Managing Director’s Report.” *2017 Annual Report.*